Stop blaming ETS

Exposing the myth of soaring ticket prices under an expanded aviation ETS

POLICY BRIEF
June 2026

CARBON MARKET WATCH

Table of Contents

Introduction

While opportunistic airlines rush to blame the EU Emissions Trading System (ETS) for their fuel costs, the facts tell a very different story. ETS costs make up only a marginal share of fuel costs. Meanwhile, fossil fuel giants are projected to pocket an extra $234 billion in windfall profits by the end of 2026, driven by the geopolitical premium linked to the US-Israel war on Iran.

Carbon pricing is not a threat to Europe's competitiveness, but an essential instrument to accelerate a socially just and fair transition away from volatile fossil fuels. Yet, EU governments are failing to make the aviation sector pay for its pollution and raise much-needed ETS revenues.

Today, a large share of emissions from non-European airlines remains outside carbon pricing, as flights to and from the European Economic Area (EEA) are fully exempt. In 2024 alone, the EU missed out on over €360 million from just two of the biggest US airlines' flights from the EEA: more than €160 million from Delta Air Lines (over 2.5 $MtCO_2$ at an average allowance price of €64.4 in 2024) and further €200 million from United Airlines' emissions. These airlines paid nothing for their emissions as they only had flights arriving or departing from the EEA, and no flights between EEA airports. In total, extending carbon pricing to all flights departing from the EEA would raise an extra €9 billion annually by 2030. Additionally, extending coverage to arriving flights as well would more than double these revenues, raising an extra €19 billion every year.

While the ETS addresses only around 15% of aviation's total climate impact, revenues from the system are already allocated to support the aviation sector. The EU Innovation Fund will allocate €446 million to aviation and maritime-related projects, while the European Hydrogen Bank has committed a further €300 million.

Airlines also benefit from dedicated support through the free allocation of ETS allowances, the so-called Sustainable Aviation Fuel (SAF) allowances, and the zero-rating of biofuels. This means airlines do not have to surrender any ETS allowances for emissions from these fuels and, instead, they receive support for using them. Together, these measures were worth an estimated €125 million in 2024 alone.

Despite this significant public support, the aviation industry continues to demand additional subsidies financed through ETS revenues while also lobbying for further exemptions. The situation is particularly difficult to justify, given that aviation emissions reached record levels again last year, while responsibility for them is concentrated among a tiny segment of the population.

The Cabinet of Commissioner Tzitzikostas of the European Commission has already signalled its willingness to further accommodate industry demands. Briefing materials prepared for meetings with airlines in March 2025 mentioned extending SAF allowances well before it had even been determined whether the ETS scope would expand and whether airlines would contribute more to the system.

Aviation also continues to enjoy massive tax privileges, dodging around €20 billion in taxation every year through exemptions on kerosene and no VAT on tickets. These loopholes are fundamentally incompatible with the EU's climate objectives and the polluter-pays principle, which require proper taxation and carbon pricing. The exemptions underscore the need to extend the EU ETS to long-haul flights.

Still, airlines continue to lobby against full carbon pricing, claiming it would significantly increase ticket prices and reduce demand. To assess these claims, Carbon Market Watch commissioned consultancy CE Delft to evaluate the impacts of extending the EU ETS to all departing flights from the EEA.

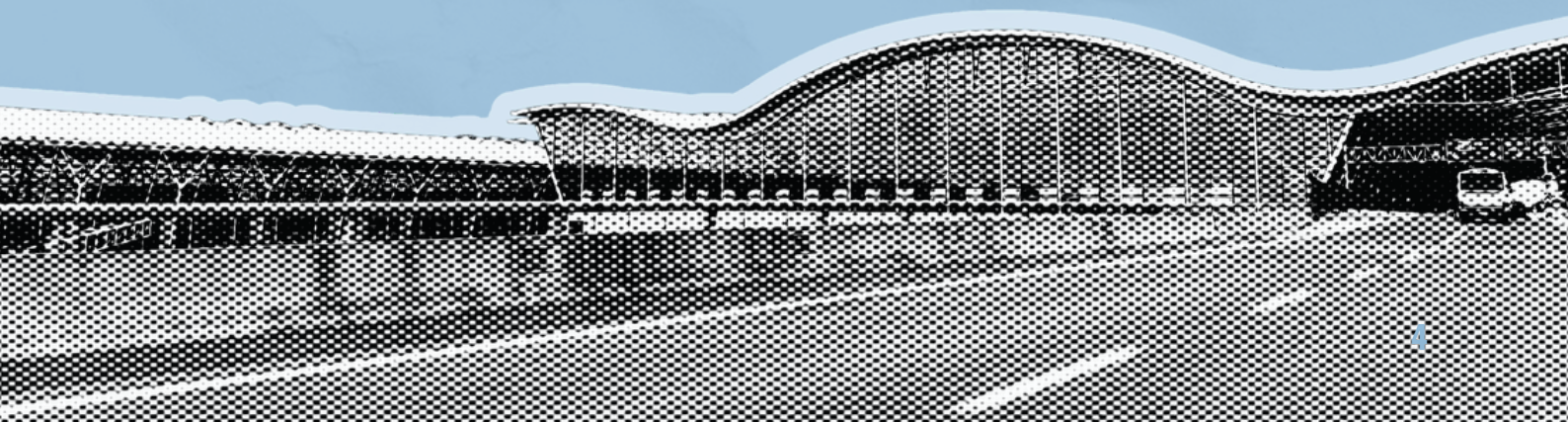
The results of the study are clear: Extending the ETS to all departing flights would have only a marginal effect on ticket prices and demand. This is especially apparent when compared to the geopolitical premiums on fossil fuel prices. For example, for an economy class, Frankfurt-Singapore return ticket, the price increase would only be 0.9%, with a corresponding demand reduction of only about -0.95%. The geopolitical premium on fossil fuel prices embedded in the ticket would be 5.6 times higher than ETS costs[1].

According to the study, airlines would absorb 30-85% of ETS costs on long-haul commercial flights rather than passing them on to ticket prices, reflecting their ability to accommodate a large share of ETS costs within their profit margins.

This policy briefing presents the study's key findings and outlines recommendations for fairer, more effective carbon pricing in Europe. The study includes real-world case studies that show just how small the impact of extending the EU ETS to all departing flights from the EEA would actually be.

The EU cannot continue shielding the aviation sector from carbon pricing while expecting other polluting sectors, like road transport and residential buildings, to shoulder their share of the burden. Aviation must stop receiving exemptions and subsidies and should start contributing proportionately to the costs of its pollution.

[1]Source: CMW own calculations based on the methodology in CE Delft (2026), "EU ETS scope expansion for aviation: Effects on ticket prices and demand" (p. 37), assuming CO_2 emissions of 501 kg for the departing flight and a €1,000 return ticket price.



The ETS scope expansion and its impacts

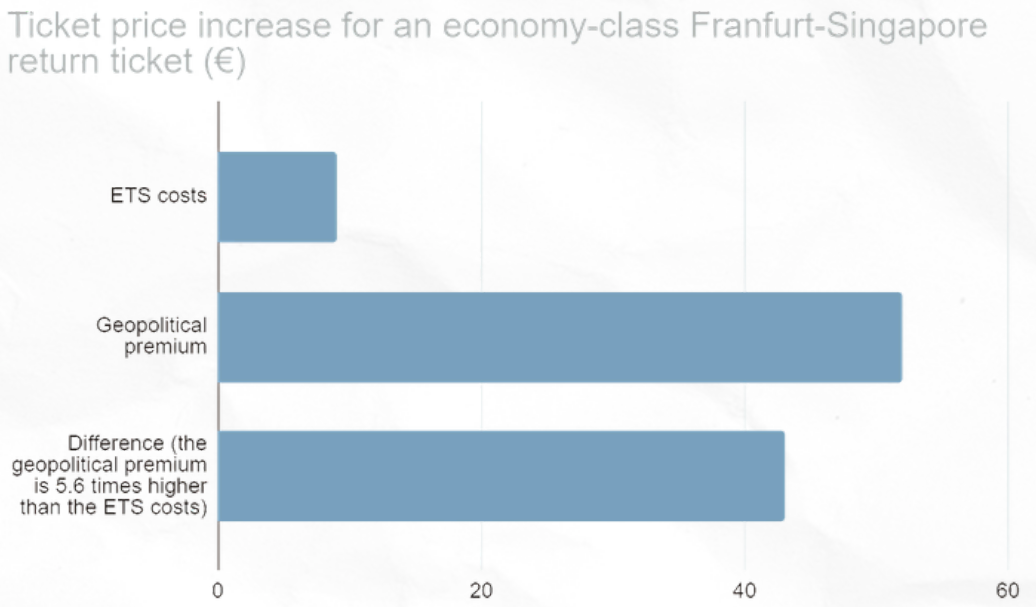
• Impacts on prices

While airlines threaten to pass extra costs to their customers, the CE Delft study shows that in reality, airlines would absorb 30-85% of ETS costs on long-haul commercial flights rather than passing them on to passengers. As a result, extending the EU ETS to long-haul flights would have a minimal impact on ticket prices.

For example, extending the ETS to all departing flights would increase the price of a standard economy return ticket between Frankfurt and Singapore (€1,000) by just 0.9% (around €9) at the current ETS price (€72.7). In this scenario, the airline would absorb roughly ¾ of the practically negligible ETS costs, while passengers would bear only ¼.[2]

In contrast, Europe is very vulnerable to the volatile fossil fuel markets, and this can have a far greater impact on costs than ETS ever could. The EU imports almost all of the crude oil used to produce jet fuel, leaving the aviation sector susceptible to geopolitical instability. Its dependence on oil and jet fuel produced in, or transported through, the Middle East means that conflicts in the region can have a far greater impact on costs than the ETS ever could.

Figure 1. The geopolitical premium (around €52) adds far more to an average economy class Frankfurt-Singapore return ticket than ETS costs (around €9) if the ETS is expanded to all departing flights.



Source: CMW own calculations based on the methodology in CE Delft (2026) , "EU ETS scope expansion for aviation: Effects on ticket prices and demand" (p. 37).

[2] CMW own calculations based on the methodology in CE Delft (2026), "EU ETS scope expansion for aviation: Effects on ticket prices and demand" (p. 37), assuming CO_2 emissions of 501 kg for the departing flight and a €1,000 return ticket price.

On the Frankfurt-Singapore route, the geopolitical premium embedded in the return ticket is around €206. As airlines absorb 75% of these costs on this route, passengers would pay around €52 for the geopolitical premium, which is 5.6 times the ETS price increase (around €9). It is important to note that this geopolitical premium goes into the pockets of Big Oil, while ETS revenues go to democratically elected governments to spend on climate action and linked societal priorities.

The CE Delft study finds that airlines are unlikely to pass full ETS costs to ticket prices. On many long-haul routes, airlines would instead absorb up to 85% of ETS costs themselves and pass on as little as 15% through higher ticket prices. This is especially the case for commercial long-haul flights between congested airports and routes served by only a few airlines.

A reason for this is that airlines are more likely to absorb ETS costs on routes served by only a few airlines because they generally earn higher profits on these routes. This gives them more room to cover additional costs themselves instead of increasing ticket prices. By contrast, on routes where many airlines compete for passengers, profit margins tend to be lower, making airlines more likely to pass new costs on to passengers through higher ticket prices.

A similar dynamic exists at congested airports with capacity constraints and high demand, where ticket prices are already relatively high. In this case, it doesn't make sense for the airlines to raise the ticket prices further, so they absorb the costs instead. These congested EEA airports include, for example: Amsterdam Schiphol, Lisbon, London Heathrow, London Gatwick, Athens, Madrid, Zurich, Barcelona, Frankfurt Main, and Porto.

The fact that airlines cannot simply pass all ETS costs on to consumers creates a direct financial incentive for the airlines to reduce emissions through cleaner fuels, more efficient aircraft, and innovative technologies, while still raising revenues for the transition. This is precisely how the ETS is designed to work and how it drives decarbonisation across other covered sectors. Aviation remains the exception, it is still not fully covered by the ETS or even under kerosene taxes.

• Impacts on demand

The aviation industry likes to claim that carbon pricing would scare passengers away. But the evidence tells another story. Demand is driven far more by airline strategies and travel trends than by pricing.

On top of this, the CE Delft study finds that passengers with the largest climate footprint and those not covered by carbon pricing are also the least likely to change their behaviour. Passengers with tighter time constraints, stronger airline loyalty, and fewer viable alternatives are less affected by ticket price increases, meaning that long-haul, business-class, and frequent flyers, as well as private jet users, are far less sensitive to economic changes than others.

In particular, long-haul commercial passengers are about 41% less price-sensitive than short-haul passengers. Private jet passengers are roughly nine times less sensitive than long-haul commercial passengers and about fifteen times less sensitive than short-haul passengers. Long-haul business travellers are 74% less price-sensitive than leisure travellers, according to the study.

Just 1% of the global population is responsible for more than half of global aviation emissions. Furthermore, people who fly in the most polluting ways are responsible for a disproportionate share of these emissions. According to Eurocontrol, half of Europe's aviation CO_2 emissions come from long-haul flights, even though they only make up 6% of flights, as longer distances mean longer flight durations with larger aircraft. On top of this, private jets emit between five and fourteen times more CO_2 per passenger than commercial flights, while a business class seat can pollute up to five times more than an economy seat. Between 2019 and 2023, emissions from private aviation skyrocketed by 46% over just 4 years.

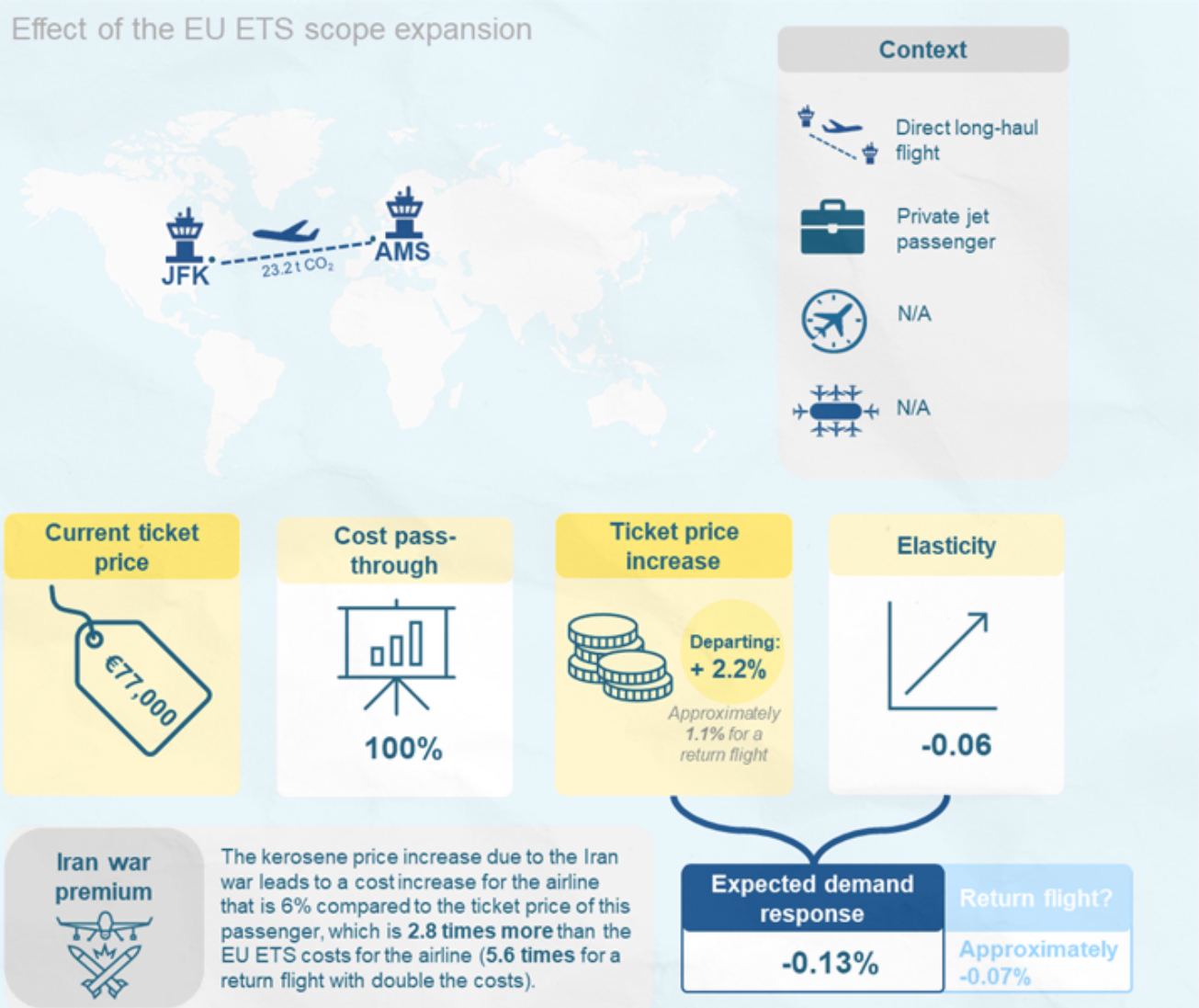
Despite their enormous climate footprint, long-haul flights and private jets continue to enjoy VIP treatment under Europe's carbon market. Long-haul flights are fully exempt from carbon pricing, while 67% of private jet flights escaped EU carbon pricing altogether thanks to loopholes based on aircraft weight, flight frequency, and annual emissions. Europe's citizens are far ahead of policymakers on this issue. A clear majority of the population in Western Europe supports stronger taxes and charges on private jets.

Private jet users are among the wealthiest travellers, and their choice of flight is typically the least price-sensitive. This makes private jet flights the perfect candidates for higher carbon pricing with a price multiplier, which will raise revenue for the fair transition while not affecting their demand in any significant way. Pricing all private jets flying within and from the EEA with a price multiplier of four (x4) could raise around €800 million annually by 2030, or €1.2 billion if arriving private jet flights are also covered. This multiplier is based on private jets' higher fuel consumption per hour and per seat.

Case Study: Amsterdam-New York return ticket (private jet passenger)

- If the ETS is expanded to departing flights, the price increase for the return ticket would be only **1.1%**.
- The demand would decrease by only **-0.07%**. (Even with a price multiplier of four for departing private jet flights, the price would increase only **4.4%**, and demand would decrease only **-0.26%**.)
- The geopolitical premium increased airline costs by around **5.6 times** more than the additional ETS costs (without the ETS price multiplier).

Amsterdam-New York

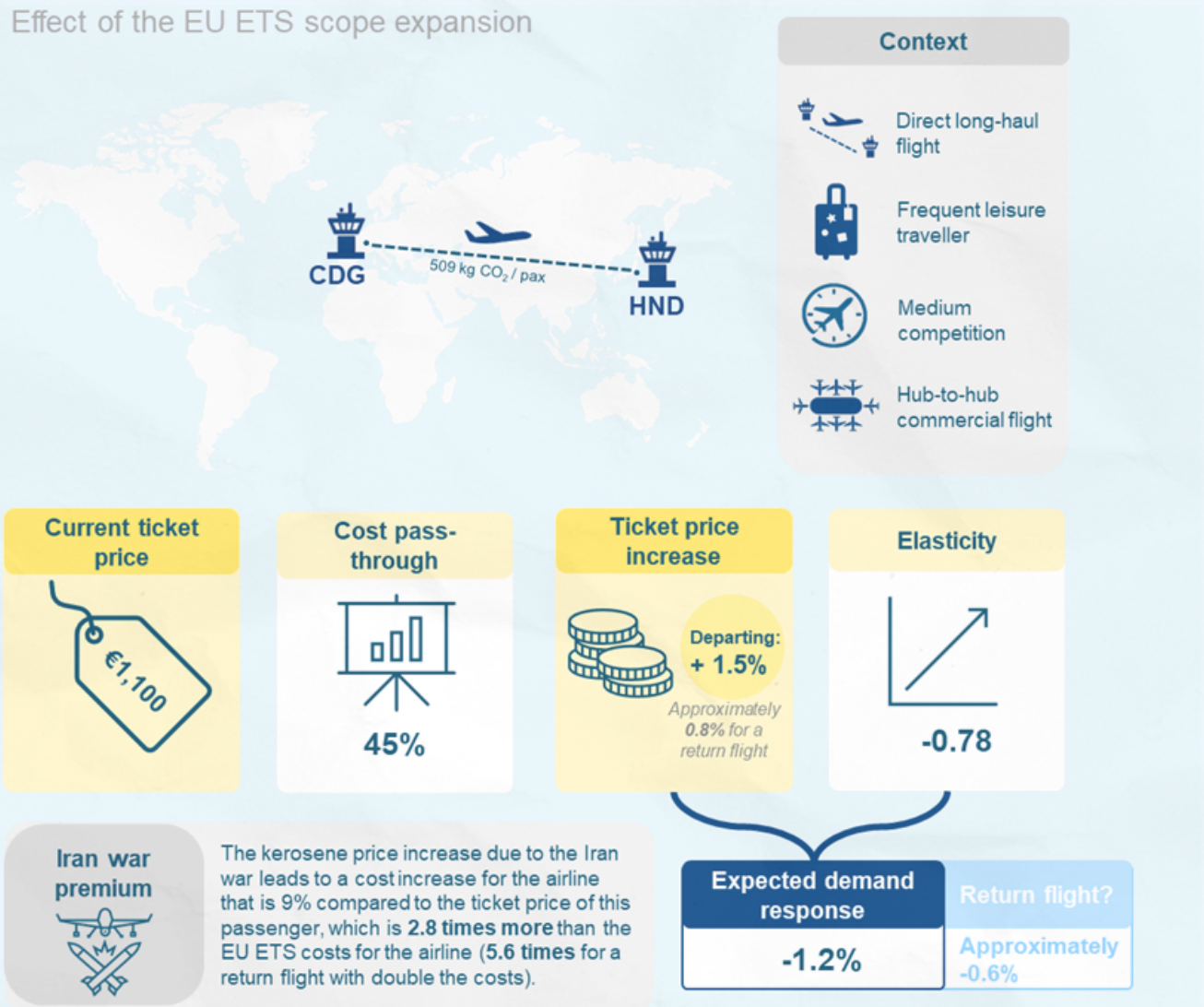


Source: CE Delft, EU ETS scope expansion for aviation: Effects on ticket prices and demand, 2026.

Case Study: Paris-Tokyo return ticket (frequent economy passenger)

- If the ETS is expanded to departing flights, the price increase for the return ticket would be only **0.75%**.
- The demand would decrease by only **-0.6%**.
- The geopolitical premium increased airline costs by around **5.6 times** more than the additional ETS costs.

Paris-Tokyo



Source: CE Delft, EU ETS scope expansion for aviation: Effects on ticket prices and demand, 2026.

Carbon leakage risks are minuscule

The industry also routinely exaggerates the risk of so-called 'carbon leakage' – the idea that decreasing emissions in the EEA will relocate emitting activities or increase pollution outside the EEA. In reality, comprehensive research shows this risk is extremely limited in aviation and affects only a small number of routes.

At most, only 3% of the aviation emissions reductions expected from the EU ETS and the ReFuelEU Aviation Regulation would be lost by 2035. This means that more than 97% of the expected emissions cuts would still be achieved.

The CE Delft study finds that most behavioural changes – such as simply flying less or shorter distances – reduce emissions directly without shifting pollution elsewhere. This is exactly how carbon pricing is supposed to work to reduce emissions.

For example, take a return flight from Copenhagen to Bangkok via Munich, which has been identified as one of the few routes at potential risk of carbon leakage. Even on this route, expanding ETS coverage to departing flights is estimated to reduce demand by less than 2.5% among occasional economy-class travellers and less than 0.3% among frequent business travellers. And importantly, not every passenger who changes behaviour causes carbon leakage. Some may simply travel less, take fewer long-haul trips, or choose alternative destinations. As a result, any leakage effect on this route must be smaller than the overall reduction in demand, and therefore cannot exceed 2.5% for occasional economy class travellers.

Even on one of the routes most exposed to carbon leakage, the maximum possible leakage is less than 2.5%, making the risk inherently small. The actual rate is likely to be even lower, since many passengers who respond to higher ticket prices will simply travel less or shorter distances.

Moreover, any remaining leakage risks are concentrated on a small number of long-haul routes that can be addressed through targeted policy measures. The main concern is that a small number of passengers travelling from Europe to destinations in South East Asia could hypothetically choose to transfer through nearby non-European hubs, such as Istanbul, to avoid paying the carbon price on the full journey.

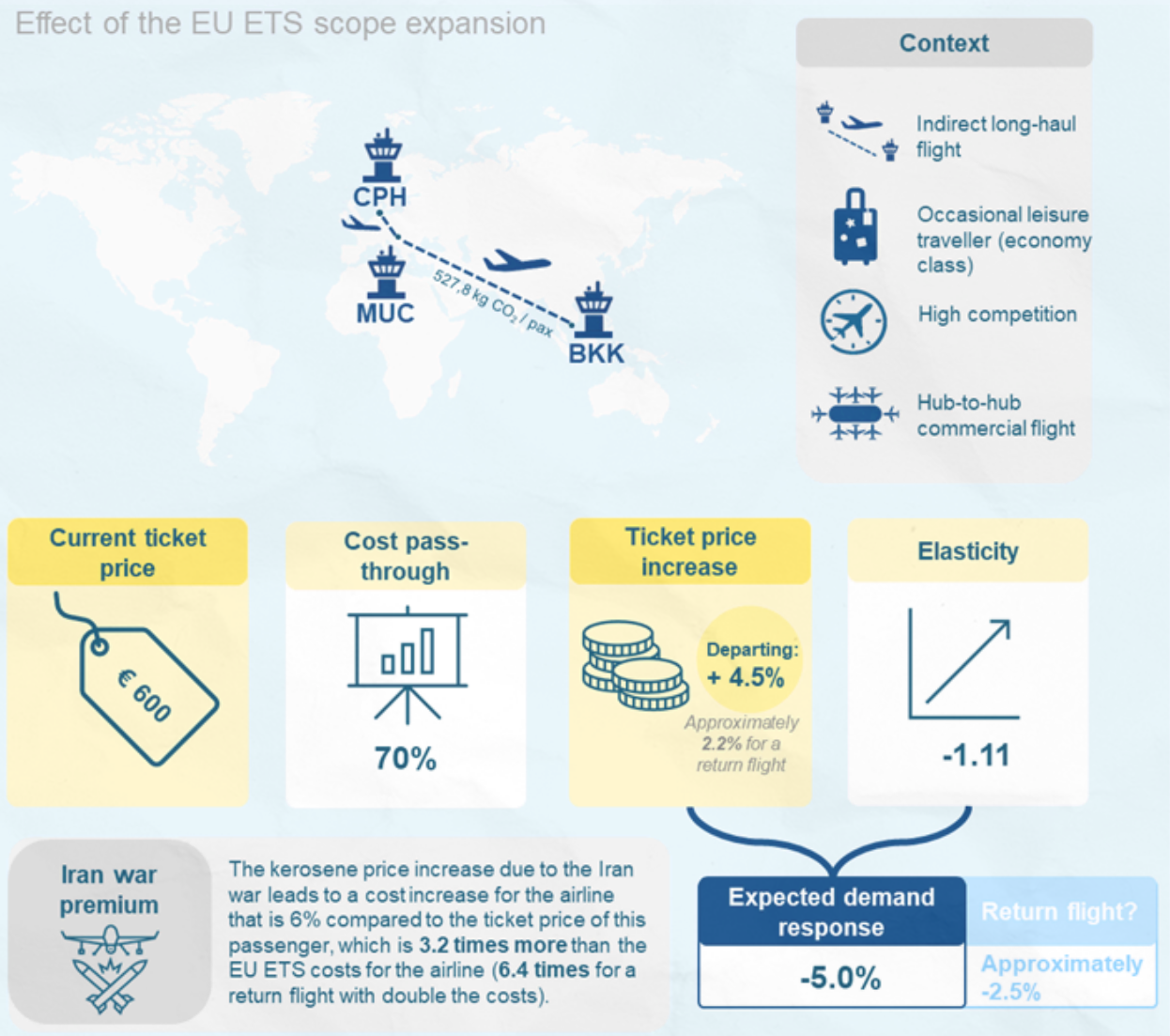
However, this incentive can be removed simply by applying higher ETS prices to routes identified as vulnerable to leakage, such as flights between Europe and major transfer hubs outside Europe, such as Istanbul Airport. Increasing ETS costs on these specific routes eliminates the financial advantage of transferring through these airports. This mitigation measure has already been shown to be legally feasible and could be deployed if leakage were confirmed.

The conclusions are clear. Airlines are exaggerating the risks of carbon pricing to preserve a system that allows the wealthiest to pollute the most while paying nothing for the damage they cause.

Case Study: Copenhagen-Bangkok via Munich return ticket (frequent business and occasional economy class passenger)

- If the ETS is expanded to departing flights, the price increase for a return ticket would be only **1.9%** for a frequent business traveller and **2.2%** for an occasional economy class traveller.
- The demand would decrease only **-0.3%** for frequent business travellers and **-2.5%** for occasional economy class travellers.
- The geopolitical premium increased airline costs by around **5.9 times** more than the additional ETS costs for a frequent business traveller and **6.4 times** more for an occasional economy class traveller.

Copenhagen-Bangkok via Munich (1)



Source: CE Delft, EU ETS scope expansion for aviation: Effects on ticket prices and demand, 2026.

Conclusion & Recommendations

The 2026 revision of the EU ETS is a defining test of Europe's climate ambition, economic resilience, and energy security. As geopolitical conflicts continue to drive up fossil fuel prices and drain billions from European economies and citizens, the EU can no longer afford to protect one of its fastest-growing sources of emissions from paying its fair share.

This study makes one thing evident: the aviation industry's warnings are vastly overstated. Extending carbon pricing to all departing extra-EEA flights would have only a minimal impact on ticket prices and passenger demand, as airlines are projected to absorb 30-85% of ETS costs on long-haul commercial flights. This is especially apparent when compared to the geopolitical premiums on fossil fuel prices.

Meanwhile, the benefits of stronger aviation carbon pricing are enormous. Expanding the EU ETS to cover all departing flights from the EEA could generate an additional €9 billion every year by 2030. These revenues are urgently needed to fund Europe's transition away from fossil fuels, support cleaner transport alternatives, and strengthen economic resilience against future energy crises.

Figure 2. Impacts of ETS expansion on departing flights

Return ticket	Price increase	Demand reduction	Geopolitical premium
Frankfurt-Singapore (average economy)	0.90%	-0.95%	5.7 times higher than the price increase
Frankfurt-Singapore (frequent business)	0.50%	-0.08%	5.6
Paris-Tokyo (frequent economy)	0.80%	-0.59%	5.6
Amsterdam-New York (private jet without an ETS price multiplier of four)	1.10%	-0.07%	5.6
Amsterdam-New York (private jet with an ETS price multiplier of four)	4.40%	-0.26%	1.4
Copenhagen-Bangkok via Munich (occasional economy)	2.20%	-2.48%	6.4
Copenhagen-Bangkok via Munich (frequent business)	1.90%	-0.30%	5.9

Source: CE Delft, EU ETS scope expansion for aviation: Effects on ticket prices and demand, 2026.

Yet today, aviation remains one of the most underpriced and undertaxed sources of pollution in Europe. The EU ETS currently covers only around 15% of aviation's total climate impact. Long-haul flights are fully exempt from carbon pricing, while 67% of private jet flights escaped EU carbon pricing altogether thanks to outdated loopholes based on aircraft weight, flight frequency, and annual emissions.

Expanding the ETS to departing flights and all private jets would mean the wealthiest and most polluting passengers would also start to pay for their emissions. Half of Europe's aviation CO_2 emissions come from expensive, long-haul flights, even if they only make up 6% of flights. On top of this, private jets emit between five and fourteen times more CO_2 per passenger than commercial flights, while a business class seat can pollute up to five times more than an economy seat.

Europe cannot continue asking citizens to bear the economic costs of fossil fuel dependence and climate breakdown while allowing the wealthiest travellers and most polluting flights to escape any climate accountability.

The choice facing EU policymakers is clear: they can either continue protecting aviation's pollution loopholes or finally apply the polluter-pays principle to one of the most unequal and carbon-intensive sectors of the economy.

The 2026 ETS revision is an opportunity to ensure aviation contributes fairly to Europe's climate transition and correct the mistakes of the past – including the costly "stop-the-clock" exemption that resulted in €26 billion in lost revenues between 2012 and 2023, while leaving 1.1 billion tonnes of CO_2 unpriced.

We urge EU policymakers to:

- Extend the EU ETS to cover at least all departing flights from the EEA.
- Include private jets in carbon pricing by lowering EU ETS thresholds for aircraft mass, flight frequency, and annual emissions.
- Apply a carbon price multiplier of at least four to private jet emissions to reflect their disproportionate climate damage (or apply an even higher price multiplier for private jets and business class seats to bring social justice considerations into the ETS).
- Use ETS revenues to accelerate investments in clean transport, rail infrastructure, and Europe's transition away from fossil fuel dependence.

CARBON MARKET WATCH

Author

Jenny Helle
Policy expert on decarbonisation of aviation and shipping

Editor

Greta Hirschberg
Communications specialist

Cover design and layout

Magdalena Zawieracz
Communications specialist

Image source

Canva images

CONTACT

Jenny Helle
jenny.helle@carbonmarketwatch.org

Co-funded by the European Union. Views and opinions expressed are however those of the author(s) only and do not necessarily reflect those of the European Union or CINEA. Neither the European Union nor the granting authority can be held responsible for them.